

CONFIDENTIAL

DELAWARE ELECTRIC COOPERATIVE
ANNUAL SUPPLY PLANNING REPORT

January 25, 2008

I. INTRODUCTION

Delaware Electric Cooperative (“the Cooperative”) purchases its power supply through a 45-year full requirements contract with Old Dominion Electric Cooperative (“Old Dominion”) originally signed in 1983 and amended in 1992. This contract provides for Old Dominion to meet the Cooperative’s capacity, energy, transmission and ancillary requirements and to deliver power to the Cooperative’s supply metering points. In addition to providing for the Cooperative’s wholesale supply, Old Dominion maintains similar agreements with Choptank Electric Cooperative (“Choptank”) and A & N Electric Cooperative (“A&N”) in the DP&L South zone of the Pennsylvania-New Jersey-Maryland (“PJM”) Interconnection. Together, the Cooperative, Choptank and A&N comprise the total cooperative presence on the Delmarva Peninsula. Old Dominion also supplies the electric power needs of its nine other distribution cooperative members in Virginia and West Virginia. The operating area of PJM serving the Delmarva Peninsula is in the ReliabilityFirst Regional Reliability Council. Previously, the Delmarva Peninsula was in the MAAC regional council; however, MAAC banded together with two other regional councils to form one large regional council, ReliabilityFirst.

The Cooperative represents about 50% of the Delmarva Peninsula area cooperative capacity requirements and energy sales. In the Delmarva Peninsula area Old Dominion currently owns 336 MW of peaking generation and purchases the remainder of its requirements from several suppliers, as further detailed in this report, to serve the cooperative members.

The Cooperative serves approximately 78,000 meters, which are predominately residential. Delaware Electric Cooperative’s headquarters is located at 14198 Sussex Highway, Greenwood, Delaware in Sussex County. The Cooperative delivers energy through 20 substations and nearly 6,400 miles of transmission and distribution lines located throughout Kent and Sussex County in Delaware.

The Cooperative’s wholesale power supplier, Old Dominion, is a net purchaser of power to meet the requirements of its twelve member distribution cooperatives. Under the terms of the 1992 Amended and Restated Wholesale Power Contract, Old Dominion is contractually obligated to provide all power requirements to the Cooperative for the duration of the contract.

Old Dominion provides power to the Cooperative and its other members on the peninsula through a diverse portfolio of owned peaking generation and power purchase contracts managed in concert with a formal energy hedging policy. In 1999, Old Dominion, in consultation with its members, developed a power supply plan to construct three combustion turbine (“CT”) plants containing over 1,300 MW of generating capability. One of the projects, Rock Springs, is located in PJM’s East zone and was sited specifically to help serve member capacity needs on the Delmarva Peninsula. The generating units at Rock Springs began commercial operations in June of 2003 and

complimented the expiration of certain power purchase agreements. The two remaining sites, Louisa and Marsh Run, began commercial operations during 2003 and 2004, respectively. They were developed primarily to provide capacity and energy support to the Virginia Mainland area.

A. New Dominion Energy Cooperative

Old Dominion and its member distribution cooperatives have undertaken a corporate reorganization to form New Dominion Energy Cooperative (“New Dominion”), a new power supply cooperative that will be the parent of Old Dominion. The business of New Dominion will include serving the power needs of the member distribution cooperatives and engaging in power and gas marketing and trading activities, including gas procurement, gas hedging, transmission, scheduling and ancillary services. New Dominion will also sell any excess energy to the market. The purposes of the reorganization include (1) increasing flexibility in financing future capital needs, (2) enhancing portfolio management capability by eliminating certain operational constraints imposed under the current structure, and (3) enabling power and gas marketing and trading activities to be conducted by a separate cooperative entity. Old Dominion and its member distribution cooperatives are currently seeking all necessary approvals for New Dominion to be in commercial operation in 2009.

B. The PJM Market

The PJM expanded its geographic market area to the west and south encompassing the control areas of AEP, ComEd, First Energy and Dominion Virginia Power. PJM reported that its market footprint produced a 2007 summer peak load of 139,280 MW. In 2007, the PJM implemented new rules concerning the procurement of capacity and the calculation of marginal losses as a component of market energy pricing (LMP).

The new capacity rules are associated with the Reliability Pricing Model, more familiarly referred to as “RPM”, that among other things added a locational component to the capacity market. During 2007, the PJM completed three base residual auctions for the capacity planning years 2007/2008, 2008/2009, and 2009/2010. These auctions were all held throughout 2007 to facilitate the FERC approved transitioning of the PJM capacity market and its participants from the old annual construct to a new 3-year forward looking construct under different business rules. Old Dominion was a participant in all three auctions, both as generating capacity supplier and as a load serving entity with obligations in several zones, and will continue to participate in future auctions to satisfy its members’ zonal capacity obligations under the new construct.

The addition of a marginal loss component to the energy pricing equation began June 1, 2007 and is supposed to make the energy market more efficient. At this time, it is too soon to tell if the annual market wide savings estimated at approximately \$100 million by PJM’s evaluations conducted in 2006 will be realized. Old Dominion and the

Cooperative are continuing efforts to reduce any negative impacts that the PJM market changes may have resulting from the RPM construct and marginal loss additions.

II. LOAD REQUIREMENTS

As previously mentioned, Old Dominion's Delmarva Peninsula system includes three members including Delaware Electric Cooperative. The Delmarva Peninsula system's peak electric demand is typically in the summer months. In 2007, the three Delmarva Peninsula cooperatives' coincident peak demand at the time of the DPL Zone's peak load was approximately 646 MW. Total annual energy purchases during 2007 were approximately 2,533,313 MWh¹. The peak load occurred in August and the results for August load/weather analysis shows the month experiencing an increase of 30.0% above normal (10-Year Average) Cooling Degree Days. Old Dominion's 2007 Load Forecast Process projects a normalized summer 2008 coincident peak for the three Delmarva Peninsula cooperatives of 680 MW with associated energy sales of approximately 2,967,242 MWh. Table 1 lists the projected peak demand for all Delmarva Peninsula cooperatives in the aggregate, as well as for the Cooperative individually, along with projected energy requirements for 2008 through 2018. The peak demand for the three Delmarva Peninsula cooperatives is projected to grow at an average annual rate of 4.54% from 2008 through 2018 and energy requirements are projected to increase at an average annual rate of 4.15% over the same period.

In 2007, the Cooperative's coincident peak demand was 344 MW, with total annual energy purchases of approximately 1,255,415 MWh¹. As also shown on Table 1, the Cooperative's peak demand is projected to grow at an average annual rate of 5.41% from 2008 through 2018 and energy requirements are projected to increase at an average annual rate of 5.32% over this time frame. In late 2007, the Board of Directors of Old Dominion reviewed a new load forecast development methodology. The base year for this report is 2007 created from actual daily energies and daily peak demands that were summarized monthly for 2007 and modeled to create a weather normal base year of 2007. Subsequent years were then forecasted for Delmarva Electric Cooperative and the other members using their approved Power Requirements Study annual growth rates. The members' growth rates were influenced by Moody's 3rd Quarter 2007 rate forecasts for county weighted households, population, gross county product, median household income, and sector level employment.

¹ 2007 annual energy purchases are based on actual data through November and an estimate for December.

Table 1. Delmarva Peninsula Summer Demand & Energy Forecast – Old Dominion 2007 Long-term Forecast ¹

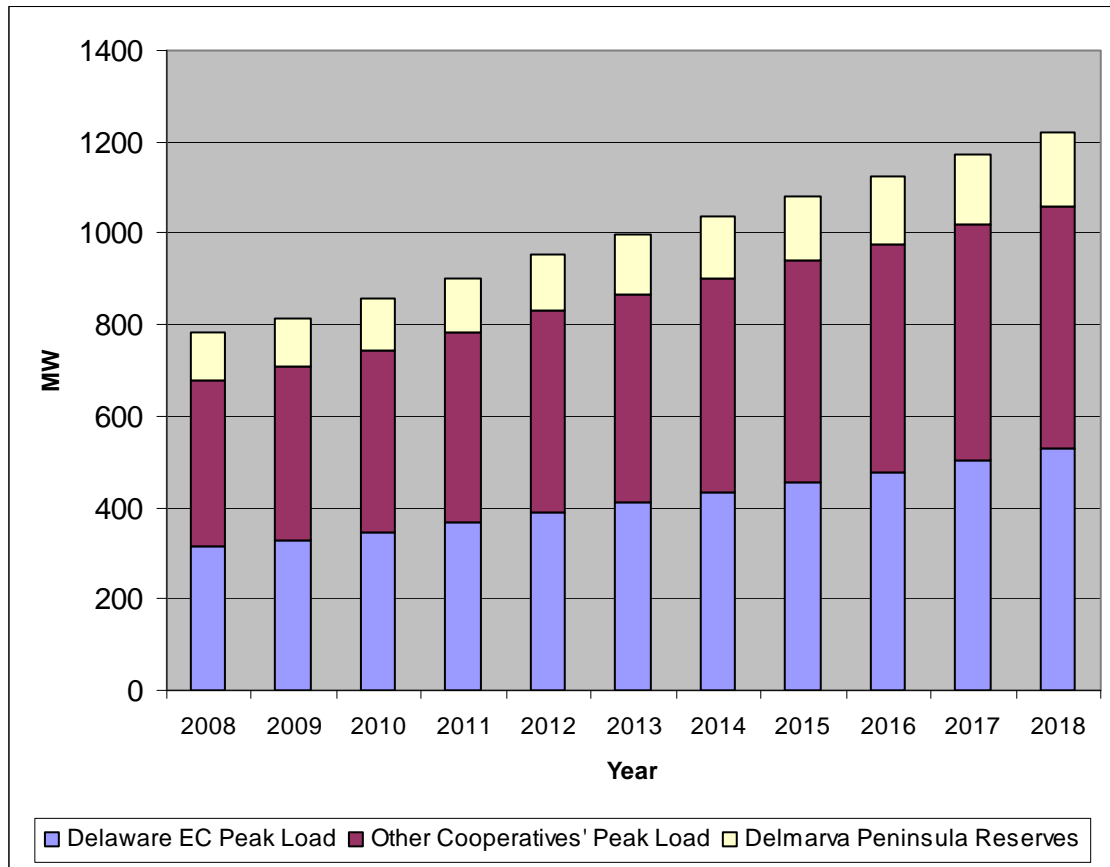
Year	Total Delmarva Peninsula Coincident Peak Demand (MW)	Delmarva Peninsula Installed Capacity Requirement with 15% ⁽²⁾ Reserve (MW)	Total Delmarva Peninsula Energy Requirements (GWh)	Delaware EC Coincident Peak Demand (MW)	Delaware EC Energy Requirements (GWh)
2008	680	782	2967	313	1207
2009	708	814	3089	326	1257
2010	744	859	3239	346	1351
2011	782	903	3400	367	1432
2012	831	960	3520	391	1497
2013	867	1001	3666	411	1570
2014	902	1042	3812	432	1651
2015	940	1085	3965	454	1734
2016	976	1128	4114	477	1824
2017	1019	1177	4288	504	1926
2018	1060	1225	4456	530	2026

1) ODEC 2007 Long-term Peak Load and Energy Forecast December 2007.

2) In the spring of 2007, the PJM Board approved a new Installed Capacity Market Requirement of 15.5% effective with the 2010/2011 planning year.

Based on the demands listed above in Table 1, Chart 1 below shows the total peak capacity requirement for the Delmarva Peninsula cooperatives. The Installed Capacity Requirement listed in Chart 1 includes a 15% reserve margin to meet capacity obligations as required by PJM through May, 2010. On June 1, 2010, the reserve margin requirement is scheduled to increase to 15.5% . While the PJM’s zonal capacity requirements are calculated slightly differently (using an “unforced capacity” obligation), this installed capacity requirement gives a good picture of the projected capacity needs.

Chart 1. Delmarva Peninsula Summer Installed Capacity Requirements



III. CURRENT POWER SUPPLY & TRANSMISSION RESOURCES

Old Dominion's primary source of capacity for the Delmarva Peninsula is the Rock Springs Generation Facility, which meets approximately 310 MW² of Old Dominion's capacity requirements. The construction of the Rock Springs generating facility on the peninsula enables Old Dominion to accomplish two key goals for power supply to the peninsula. First, it decreases ODEC's dependence on power purchase contracts for supply to the peninsula and improves its ability to mitigate the impact of market price volatility on the Delmarva Peninsula members. Second, the Rock Springs generating station provides ODEC and its members with certainty of supply to the peninsula for the next 30 years.

² Summer capacity rating for the two combustion turbine generators located at Rock Springs

A. POWER SUPPLY CAPACITY

Old Dominion currently relies on its ownership of the Rock Springs Generating Facility and the purchase of capacity through PJM's capacity market auctions to serve member capacity obligations on the Delmarva Peninsula. These resources are described in more detail below.

1. Rock Springs Generating Facility

The Rock Springs site is located north of the community of Rock Springs in northwestern Cecil County, Maryland. Project facilities include four CTs (with two owned by Old Dominion), an electrical switchyard, a storm water retention pond and water storage tank as well as other support facilities, such as roads, buildings, and parking lots. The equipment, structures and other facilities occupy approximately 26-acres.

Rock Springs satisfies portions of the Cooperative's capacity obligation and provides for peak power generation. The facility began commercial operation in June of 2003. As previously mentioned, the facility's location has allowed Old Dominion to improve capacity and energy delivery to member load on the peninsula under PJM's current market rules

Economic operation of the facility is presently anticipated only during high-energy demand periods in the Peninsula Region and PJM. These periods typically occur during the weekdays in the summer and during very cold periods in the winter. From time to time, the facility may be called upon by the PJM to operate for transmission reliability purposes. The facility burns natural gas for fuel and Old Dominion has established fuel supply arrangements to acquire and deliver fuel to support projected operations. In order to improve reliability and price negotiating strength, a firm gas transportation agreement is in place with Columbia Gas Transmission for access to more liquid gas trading locations.

2. PJM Capacity Markets

In addition to its function as a regional transmission organization, the PJM operates various markets for its members. As mentioned previously, beginning in June, 2007, procuring capacity to meet zonal market obligations came under the new Reliability Pricing Model (RPM) rules (subject to final FERC approval of tariff revisions and business rules). As of January 2008, the business rules for RPM are still under development in the PJM Stakeholder process. Old Dominion is actively working with PJM staff to finalize the market rules. At this time, Old Dominion's load on the peninsula is charged a daily capacity rate and Rock Springs receives a daily capacity credit based on the 2007/2008 planning year's base residual auction results for the location referred to as EMAAC. As noted earlier, subsequent planning years' auctions have also been run through planning year 2010/2011. Therefore, the charges and credits associated with the forward base residual auction results are known today. Between now

and the commencement of the actual planning year, under current PJM business rules, several incremental auctions will also be held. These auctions are necessary to align the stakeholders' capacity positions with respect to their current load obligations and capacity resources two months prior to the start of the future planning year. Currently, based on today's view of Old Dominion's future capacity position (where its peninsula load continues to exceed its on peninsula capacity resources), Old Dominion, expects to fulfill capacity obligations beyond its existing Rock Springs capacity at PJM's Base Residual Auction prices. For the 2007/2008 planning year, Old Dominion's net capacity position in EMAAC was negative (370 MW).

B. ENERGY PURCHASES

As a member of the PJM, Old Dominion has access to various products offered by supply participants in the PJM wholesale energy markets. The Cooperative, through Old Dominion, currently purchases all of its Delmarva Peninsula energy in excess of that generated by the Rock Springs Generating Facility from the PJM wholesale markets. Generally, these purchases have been a blend of multi-year, annual, monthly and hourly purchases. Old Dominion's energy procurement strategy calls for purchasing the majority of its energy requirements in excess of Rock Spring's expected generation from two months to three years in advance to improve cost and risk reduction performance. A key objective is to reduce risks associated with energy market volatility. Additionally, the expected operations of the Rock Springs units are aligned to minimize potential impacts from unanticipated short-term price spikes.

As a part of meeting Old Dominion's future energy needs and as exercised within the operating framework of its energy hedging policy, Old Dominion sets rolling monthly and multi-year hedging targets to manage its energy exposure. At the simplest level, shorter time horizons are hedged to the highest certainty while longer time horizons have lower hedging requirements. This approach is intended to reduce vulnerability to shocks and unwanted volatility while reducing the likelihood of locking in energy costs above market. For example, Old Dominion is hedged in excess of 85% of its projected energy needs for its 12 members in 2008 at this time. The energy purchases for 2008 through 2010 are generally fixed price forward purchases or call options with high credit quality PJM market suppliers.

C. POWER DELIVERY ARRANGEMENTS

Old Dominion is a member of the PJM and, as such, the PJM and Delmarva Power provide transmission service to specified delivery points serving the Delmarva Peninsula. The rates and terms and conditions for this service are provided pursuant to PJM's Open Access Transmission Tariff ("OATT") for transmission service and under a separate Interconnection Agreement between Delmarva Power and Old Dominion for transmission and distribution service to these delivery points. In addition to transmission service, PJM's OATT provides for Ancillary Services needs to Old Dominion.

On January 2, 2008, Old Dominion acquired various 69kV transmission line assets from Delmarva Power in Virginia. Old Dominion now is a transmission owner for these facilities and provides transmission service to the majority of the delivery points of A&N Electric Cooperative in Virginia on the peninsula. Old Dominion has rates and terms and conditions for this service under the PJM OATT and has a separate Interconnection Agreement with A&N Electric Cooperative for their delivery points off the Old Dominion transmission facilities.

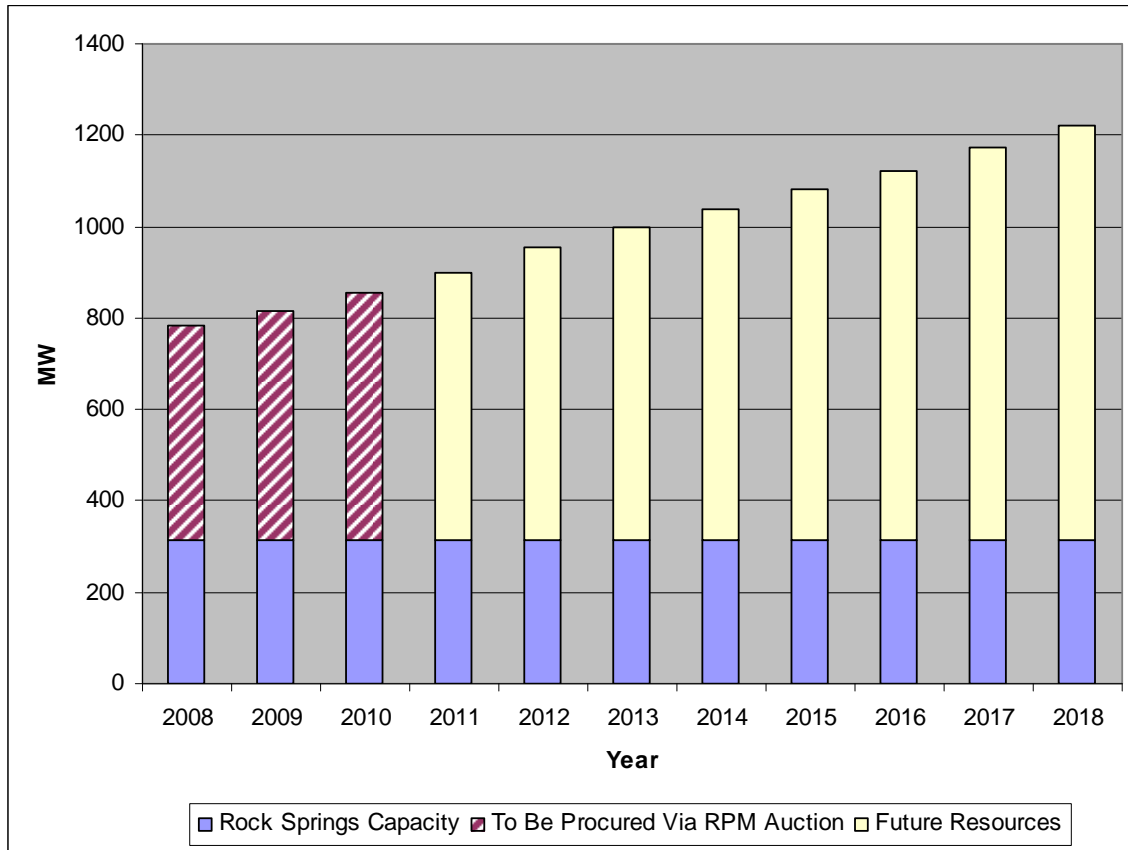
IV. POWER SUPPLY PLAN

The power supply plan developed to meet the Cooperative's supply requirements is comprehensive and designed in a way that best ensures the Cooperative will remain competitive and also provide a hedge against future price volatility and extended price spikes in wholesale electricity markets.

As briefly discussed earlier, the Cooperative's power supply plan and Old Dominion's supply plan for the peninsula includes its one-half ownership share of the Rock Springs generating station which consists of four natural gas powered CT generators totaling 672 MW (ISO) sitting on 26-acres of a 98-acre site in Cecil County, Maryland, within the PJM region (EMAAC). The CTs entered commercial operation in June of 2003. The site is permitted for a total of six combustion turbines with Old Dominion and Consolidated Edison each owning two turbines and the ability to install two additional turbines. In December 2007, Consolidated Edison announced it was selling to North America Energy Alliance, LLC its interest in two combustion turbines and common facilities at Rock Springs. At this time, Old Dominion expects the sale to be completed in the first half of 2008 and will be working through the details of the transaction (still pending FERC and Maryland PSC approval at this time) with the other parties.

Chart 2, on the next page, illustrates that Old Dominion will utilize the full capacity of Rock Springs to help meet its current PJM capacity obligation. Note that Chart 2 uses the summer rating of approximately 310 MW for Rock Springs' capacity.

Chart 2. Delmarva Capacity Resources-Summer



The unforced capacity that will be obtained through the PJM Base Residual Auction is presented on an equivalent ICAP basis for consistency.

In light of expiring contracts and future member load growth throughout its system, Old Dominion’s planning process continually monitors the short-term, mid-term and long-term energy markets and analyzes the economics of power supply options that are available to meet its members’ needs.

These analyses encompass a wide range of possible supply alternatives from continued use of purchased power contracts to construction of new generation or acquisition of existing peninsula resources. These analyses may also include the potential to add new transmission under PJM’s “economic transmission” concept as such additions may allow for more distant generation or purchases to be used to cost effectively meet the Cooperative’s needs on the Delmarva Peninsula. Given the lead-time requirement and complex analyses to support permitting and construction of new generation (three to eight years), new plant construction is not a feasible short-term or mid-term resource alternative. Therefore, wholesale purchased power products offered by other market participants are the primary focus of adding new sources of power in the near-term. For the long-term, Old Dominion will continue evaluating expansion opportunities in Virginia including the expansion of the North Anna nuclear power facility. Old Dominion has an 11.6% ownership share with Dominion Virginia Power owning the remainder.

V. CONCLUSION

As the data presented in this report indicates, the Cooperative, through its relationship with Old Dominion, has sufficient resources to provide reliable power to all of its members for the time period 2008 through 2018. Under the new PJM RPM process, Old Dominion will continue to evaluate the economic trade-off between the various opportunities available to satisfy the Cooperative's future obligations on the Delmarva Peninsula.

In June 2003, Old Dominion's two CTs at the Rock Springs generating station, located in Cecil County, Maryland, commenced commercial operation. The Rock Springs station provides Old Dominion, and its member Cooperatives on the peninsula, with approximately 310 MW of reliable capacity and cost-effective peaking energy supply. Old Dominion and the Cooperative will continue to evaluate generation opportunities on the peninsula as they are presented.

Old Dominion's future resource plans are continually evaluated. A major factor included in such evaluations is the congestion risk. Old Dominion has paid congestion costs amounting to approximately \$83 million from 2000 through 2007 (net of FTR values). The continuing effects of congestion will impact Old Dominion's power supply plans as they strive to provide competitively priced power to their membership including the Cooperative.

The Cooperative welcomes the opportunity to discuss any of the matters set forth in this report with the Delaware Public Service Commission, Controller General, and the Office of Management & Budget. Please contact Mark A. Nielson, Vice President Staff Services, Delaware Electric Cooperative, (302) 349-3147, mnielson@decoop.com.